

Township of Lee
Allegan County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2008

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INDEPENDENT AUDITORS' REPORT

**Township Board
Township of Lee, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Lee, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Lee, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Lee, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Lee, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.



1958-2008

Township Board
Township of Lee, Michigan
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The Township of Lee, Michigan has not presented the budgetary comparison information for the Lower Scott Lake Fund that U.S generally accepted accounting principles require to supplement, although not be part of, the basic financial statements.

Sigfried Crandall P.C.

July 8, 2008

BASIC FINANCIAL STATEMENTS

Township of Lee
STATEMENT OF NET ASSETS
 March 31, 2008

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 1,609,566
Receivables, net	128,891
Prepaid expenses	<u>20,841</u>
Total current assets	<u>1,759,298</u>
Noncurrent assets:	
Capital assets not being depreciated - land	15,627
Capital assets, net of accumulated depreciation	<u>609,806</u>
Total noncurrent assets	<u>625,433</u>
Total assets	<u>2,384,731</u>
LIABILITIES	
Current liabilities:	
Payables	62,842
Note payable	<u>13,716</u>
Total current liabilities	<u>76,558</u>
NET ASSETS	
Invested in capital assets, net of related debt	611,717
Restricted for:	
Public safety	799,234
Public works	91,886
Health and welfare	222,233
Unrestricted	<u>583,103</u>
Total net assets	<u>\$ 2,308,173</u>

See notes to financial statements

Township of Lee
STATEMENT OF ACTIVITIES
Year ended March 31, 2008

		<u>Program revenues</u>			<u>Net (expenses)</u> <u>revenues and</u> <u>changes in</u> <u>net assets</u>
		<u>Charges for</u>	<u>Operating</u> <u>grants and</u> <u>contributions</u>	<u>Capital</u> <u>grants and</u> <u>contributions</u>	
Functions/Programs	Expenses	services			
Governmental activities:					
Legislative	\$ 5,305	\$ -	\$ -	\$ -	\$ (5,305)
General government	253,310	45,668	-	-	(207,642)
Public safety	358,137	41,064	18,238	14,590	(284,245)
Public works	197,936	100,630	5,623	-	(91,683)
Health and welfare	36,021	25	-	-	(35,996)
Culture and recreation	20,498	-	-	-	(20,498)
Interest	<u>1,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,806)</u>
Total governmental activities	<u>\$873,013</u>	<u>\$ 187,387</u>	<u>\$ 23,861</u>	<u>\$ 14,590</u>	<u>(647,175)</u>
General revenues:					
					329,955
					345,489
					<u>49,479</u>
					<u>724,923</u>
					77,748
					<u>2,230,425</u>
					<u>\$ 2,308,173</u>

See notes to financial statements

Township of Lee
BALANCE SHEET - governmental funds
 March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>First Responder</u>	<u>Lower Scott Lake</u>
ASSETS				
Cash	\$ 450,069	\$ 752,893	\$ 212,455	\$ 81,084
Receivables	<u>62,097</u>	<u>42,073</u>	<u>13,919</u>	<u>10,802</u>
Total assets	<u>\$ 512,166</u>	<u>\$ 794,966</u>	<u>\$ 226,374</u>	<u>\$ 91,886</u>
LIABILITIES AND FUND BALANCES				
Liabilities - payables	<u>\$ 37,606</u>	<u>\$ 7,907</u>	<u>\$ 4,801</u>	<u>\$ -</u>
Fund balances - unreserved	474,560	787,059	221,573	91,886
Fund balance - unreserved, reported in special revenue fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>474,560</u>	<u>787,059</u>	<u>221,573</u>	<u>91,886</u>
Total liabilities and fund balances	<u>\$ 512,166</u>	<u>\$ 794,966</u>	<u>\$ 226,374</u>	<u>\$ 91,886</u>

Total fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities, including notes payable, which are not due and payable in the current period and, therefore, are not reported in the funds.

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.

Net assets of *governmental activities*

<i>Total nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ 113,065	\$ 1,609,566
-	128,891
<u>\$ 113,065</u>	<u>\$ 1,738,457</u>
\$ 12,528	\$ 62,842
-	1,575,078
<u>100,537</u>	<u>100,537</u>
<u>100,537</u>	<u>1,675,615</u>
<u>\$ 113,065</u>	<u>\$ 1,738,457</u>
	\$ 1,675,615
	625,433
	(13,716)
	<u>20,841</u>
	<u>\$ 2,308,173</u>

See notes to financial statements

Township of Lee**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>First Responder</u>	<u>Lower Scott Lake</u>
REVENUES				
Taxes	\$ 75,431	\$ 211,756	\$ 74,017	\$ -
Licenses and permits	25,706	-	-	-
State grants	351,112	1,350	-	-
Contributions from local units	-	18,238	-	-
Charges for services	22,555	4,088	-	-
Interest	23,339	19,643	2,085	910
Other	4,087	9,676	25	90,001
	<u>502,230</u>	<u>264,751</u>	<u>76,127</u>	<u>90,911</u>
Total revenues	502,230	264,751	76,127	90,911
EXPENDITURES				
Legislative	5,305	-	-	-
General government	245,460	-	-	-
Public safety	192,000	99,963	-	-
Public works	199,498	-	-	94,905
Health and welfare	-	-	34,110	-
Culture and recreation	17,295	-	-	-
Capital outlay	4,267	39,873	-	-
Debt service:				
Principal	12,841	-	-	-
Interest	1,806	-	-	-
	<u>678,472</u>	<u>139,836</u>	<u>34,110</u>	<u>94,905</u>
Total expenditures	678,472	139,836	34,110	94,905
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(176,242)</u>	<u>124,915</u>	<u>42,017</u>	<u>(3,994)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	54,607	-	-	-
Transfers out	-	-	-	-
	<u>54,607</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other sources (uses)	54,607	-	-	-
NET CHANGES IN FUND BALANCES	(121,635)	124,915	42,017	(3,994)
FUND BALANCES - BEGINNING	<u>596,195</u>	<u>662,144</u>	<u>179,556</u>	<u>95,880</u>
FUND BALANCES - ENDING	<u>\$ 474,560</u>	<u>\$ 787,059</u>	<u>\$ 221,573</u>	<u>\$ 91,886</u>

<i>Total nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ -	\$ 361,204
-	25,706
-	352,462
-	18,238
-	26,643
3,502	49,479
-	103,789
<u>3,502</u>	<u>937,521</u>
-	5,305
-	245,460
-	291,963
-	294,403
-	34,110
-	17,295
-	44,140
-	12,841
-	1,806
<u>-</u>	<u>947,323</u>
<u>3,502</u>	<u>(9,802)</u>
-	54,607
<u>(54,607)</u>	<u>(54,607)</u>
<u>(54,607)</u>	<u>-</u>
(51,105)	(9,802)
<u>151,642</u>	<u>1,685,417</u>
<u>\$ 100,537</u>	<u>\$ 1,675,615</u>

See notes to financial statements

Township of Lee

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended March 31, 2008

Reconciliation of the statement of revenues, expenditures, and changes in
fund balances to the statement of activities:

Net change in fund balances - total governmental funds	\$ (9,802)
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Amounts reported for *governmental activities* in the statement of activities
(page 6) are different because:

Capital assets:

Assets acquired	156,046
Basis of assets disposed	(1,125)
Provision for depreciation	(86,225)

Long-term debt - principal repayments	12,841
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Changes in other assets/liabilities - net increase in prepaid expenses	<u>6,013</u>
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Change in net assets of <i>governmental activities</i>	<u>\$ 77,748</u>
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See notes to financial statements

Township of Lee
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
March 31, 2008

ASSETS

Cash	\$ <u>4,124</u>
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LIABILITIES

Due to others	\$ <u>4,124</u>
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See notes to financial statements

Township of Lee
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Lee, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Lee
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used for the operational costs of the Township fire protection functions. Revenues are primarily derived from property taxes.

The First Responder Fund accounts for the financial resources used for the operational costs of the Township health and welfare functions. Revenues are primarily derived from property taxes.

The Lower Scott Lake Fund accounts for the financial resources used for the operational costs of the Township public works functions. Revenues are primarily derived from special assessments.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

Township of Lee
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	5 - 10 years
Water systems	50 years
Roads	20 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

The Township did not adopt a budget for the Lower Scott Lake and Public Improvement Funds.

Township of Lee
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH:

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Cash	\$ 1,609,566	\$ 4,124	\$ 1,613,690

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2008, the Township had deposits with a carrying amount of \$1,613,690.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, \$1,265,679 of the Township's bank balances of \$1,656,066 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 12,968	\$ -	\$ 49,129	\$ 62,097
Fire	41,673	-	400	42,073
First Responder	13,919	-	-	13,919
Lower Scott Lake	-	10,802	-	10,802
Totals	\$ 68,560	\$ 10,802	\$ 49,529	\$ 128,891

All receivables are considered fully collectible, and are due within one year.

Township of Lee
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2008, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 15,627	\$ -	\$ -	\$ 15,627
Capital assets being depreciated:				
Land improvements	55,679	-	-	55,679
Buildings and improvements	141,168	-	-	141,168
Equipment	173,743	17,764	-	191,507
Vehicles	622,952	34,640	(5,000)	652,592
Roads	-	103,642	-	103,642
Water system	238,207	-	-	238,207
Subtotal	1,231,749	156,046	(5,000)	1,382,795
Less accumulated depreciation for:				
Land improvements	(35,259)	(3,712)	-	(38,971)
Buildings and improvements	(71,365)	(4,336)	-	(75,701)
Equipment	(141,497)	(20,050)	-	(161,547)
Vehicles	(400,832)	(50,952)	3,875	(447,909)
Roads	-	(1,220)	-	(1,220)
Water system	(41,686)	(5,955)	-	(47,641)
Subtotal	(690,639)	(86,225)	3,875	(772,989)
Total capital assets being depreciated, net	541,110	69,821	(1,125)	609,806
Governmental activities capital assets, net	\$ 556,737	\$ 69,821	\$ (1,125)	\$ 625,433

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 6,525
Public safety	67,222
Public works	7,175
Health and welfare	2,100
Culture and recreation	3,203
Total governmental activities	\$ 86,225

Township of Lee
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM DEBT:

Long-term debt at March 31, 2008, is comprised of the following:

Notes payable:

\$41,204 note payable (PA99 of 1933), due in annual installments of
 \$12,841 to \$13,716 through August 2008, plus interest at 6.80% \$ 13,716

Long-term obligation activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Note payable	<u>\$ 26,557</u>	<u>\$ -</u>	<u>\$ (12,841)</u>	<u>\$ 13,716</u>	<u>\$ 13,716</u>

At March 31, 2008, debt service requirements are as follows:

<u>Year ended March 31,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	<u>\$ 13,716</u>	<u>\$ 933</u>

NOTE 7 - PAYABLES:

Payables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Inter- governmental</u>	<u>Other</u>	<u>Totals</u>
General	\$ 19,275	\$ 5,038	\$ 13,293	\$ -	\$ 37,606
Fire	3,755	4,152	-	-	7,907
First Responder	2,673	2,128	-	-	4,801
Non-major funds	-	-	-	12,528	12,528
Totals	<u>\$ 25,703</u>	<u>\$ 11,318</u>	<u>\$ 13,293</u>	<u>\$ 12,528</u>	<u>\$ 62,842</u>

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Township of Lee
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2008, is as follows:

Revenues	\$ 25,706
Expenses	<u>31,706</u>
Deficiency of revenues over expenses	<u>\$ (6,000)</u>

NOTE 10 - INTERFUND TRANSFERS:

The transfer to the General Fund of \$54,607 represents a partial return of unrestricted monies from the Public Improvement Fund.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Lee
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 123,515	\$ 128,814	\$ 75,431	\$ (53,383)
Licenses and permits	33,150	27,105	25,706	(1,399)
State grants	352,221	353,280	351,112	(2,168)
Charges for services	24,428	26,028	22,555	(3,473)
Interest	16,122	15,209	23,339	8,130
Other	6,093	5,093	4,087	(1,006)
Total revenues	<u>555,529</u>	<u>555,529</u>	<u>502,230</u>	<u>(53,299)</u>
EXPENDITURES				
Legislative	<u>5,780</u>	<u>6,002</u>	<u>5,305</u>	<u>697</u>
General government:				
Supervisor	16,814	16,814	16,161	653
Election	6,600	6,600	2,299	4,301
Assessor	110,834	114,034	110,565	3,469
Clerk	21,842	21,845	19,848	1,997
Board of Review	2,000	4,673	2,317	2,356
Treasurer	32,996	32,996	27,963	5,033
Hall and grounds	28,244	29,074	21,922	7,152
Cemetery	17,655	20,002	19,600	402
Other	46,700	31,740	24,785	6,955
Total general government	<u>283,685</u>	<u>277,778</u>	<u>245,460</u>	<u>32,318</u>
Public safety:				
Police	144,306	163,202	160,294	2,908
Building inspections	<u>40,450</u>	<u>35,450</u>	<u>31,706</u>	<u>3,744</u>
Total public safety	<u>184,756</u>	<u>198,652</u>	<u>192,000</u>	<u>6,652</u>
Public works:				
Highways and streets	159,300	192,940	153,142	39,798
Street lights	4,428	4,570	4,570	-
Transfer station	54,455	56,213	40,608	15,605
Drains	21,000	21,000	517	20,483
Water system	<u>25,425</u>	<u>25,425</u>	<u>661</u>	<u>24,764</u>
Total public works	<u>264,608</u>	<u>300,148</u>	<u>199,498</u>	<u>100,650</u>

Township of Lee

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Culture and recreation:				
Parks	\$ 11,939	\$ 12,323	\$ 12,317	\$ 6
Library	<u>1,160</u>	<u>4,990</u>	<u>4,978</u>	<u>12</u>
Total culture and recreation	<u>13,099</u>	<u>17,313</u>	<u>17,295</u>	<u>18</u>
Capital outlay	<u>14,150</u>	<u>8,150</u>	<u>4,267</u>	<u>3,883</u>
Debt service:				
Principal	24,500	13,407	12,841	566
Interest	<u>2,000</u>	<u>2,000</u>	<u>1,806</u>	<u>194</u>
Total debt service	<u>26,500</u>	<u>15,407</u>	<u>14,647</u>	<u>760</u>
Total expenditures	<u>792,578</u>	<u>823,450</u>	<u>678,472</u>	<u>144,978</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(237,049)	(267,921)	(176,242)	91,679
OTHER FINANCING SOURCES:				
Transfer in - public improvement	<u>54,607</u>	<u>54,607</u>	<u>54,607</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(182,442)	(213,314)	(121,635)	91,679
FUND BALANCES - BEGINNING	<u>596,195</u>	<u>596,195</u>	<u>596,195</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 413,753</u>	<u>\$ 382,881</u>	<u>\$ 474,560</u>	<u>\$ 91,679</u>

Township of Lee
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 196,385	\$ 195,863	\$ 211,756	\$ 15,893
State grants	-	1,350	1,350	-
Contributions from local units	17,287	18,238	18,238	-
Charges for services	2,904	2,904	4,088	1,184
Interest	17,211	20,046	19,643	(403)
Other	-	9,676	9,676	-
	<u>233,787</u>	<u>248,077</u>	<u>264,751</u>	<u>16,674</u>
EXPENDITURES				
Public safety	129,848	130,098	99,963	30,135
Capital outlay	10,000	40,000	39,873	127
	<u>139,848</u>	<u>170,098</u>	<u>139,836</u>	<u>30,262</u>
NET CHANGES IN FUND BALANCES	93,939	77,979	124,915	46,936
FUND BALANCES - BEGINNING	<u>662,144</u>	<u>662,144</u>	<u>662,144</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 756,083</u>	<u>\$ 740,123</u>	<u>\$ 787,059</u>	<u>\$ 46,936</u>

Township of Lee**BUDGETARY COMPARISON SCHEDULE - First Responder Fund**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 69,983	\$ 69,983	\$ 74,017	\$ 4,034
Interest	3,014	2,989	2,085	(904)
Other	<u>-</u>	<u>25</u>	<u>25</u>	<u>-</u>
Total revenues	<u>72,997</u>	<u>72,997</u>	<u>76,127</u>	<u>3,130</u>
EXPENDITURES				
Health and welfare	36,833	43,351	34,110	9,241
Capital outlay	<u>8,800</u>	<u>8,800</u>	<u>-</u>	<u>8,800</u>
Total expenditures	<u>45,633</u>	<u>52,151</u>	<u>34,110</u>	<u>18,041</u>
NET CHANGES IN FUND BALANCES	27,364	20,846	42,017	21,171
FUND BALANCES - BEGINNING	<u>179,556</u>	<u>179,556</u>	<u>179,556</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 206,920</u>	<u>\$ 200,402</u>	<u>\$ 221,573</u>	<u>\$ 21,171</u>

SUPPLEMENTARY INFORMATION

Township of Lee
COMBINING BALANCE SHEET - nonmajor governmental funds
 March 31, 2008

	<u>Special revenue funds</u>		
	<u>Revolving Loan</u>	<u>Public Improvement</u>	<u>Total</u>
ASSETS			
Cash	\$ 12,528	\$ 100,537	\$ 113,065
 LIABILITIES AND FUND BALANCES			
Liabilities - payables	\$ 12,528	\$ -	12,528
Fund balances - unreserved, undesignated	-	100,537	100,537
Total liabilities and fund balances	\$ 12,528	\$ 100,537	\$ 113,065

Township of Lee

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - *nonmajor governmental funds***

Year ended March 31, 2008

	<u>Special revenue funds</u>		
	<u>Revolving Loan</u>	<u>Public Improvement</u>	<u>Total</u>
REVENUES			
Interest	\$ -	\$ 3,502	\$ 3,502
OTHER FINANCING USES			
Transfer out	-	(54,607)	(54,607)
NET CHANGES IN FUND BALANCES	-	(51,105)	(51,105)
FUND BALANCES - BEGINNING	-	151,642	151,642
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 100,537</u>	<u>\$ 100,537</u>

July 8, 2008

To the Board of Trustees
Township of Lee

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Lee for the year ended March 31, 2008, and have issued our report thereon dated July 8, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 3, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Lee are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by Township of Lee during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Lee's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Township of Lee as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Lee's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

- The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Lee and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.